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Grant Thornton

Global economy is rebalancing

The global economy is rebalancing, with many developed economies more confident than they were this time last year although some developing economies are less optimistic, according to a new report from Grant Thornton.

Drawing on data and insight from the Grant Thornton International Business Report (IBR), the Economist Intelligence Unit (EIU) and the International Monetary Fund (IMF), ‘The global economy in 2014’ also reveals that revenue, profit and investment activity is up globally compared with the start of 2013, especially in major developed economies such as Germany, Japan, UK and US. However, uncertainty surrounding the eurozone and tapering in the US are still a drag on long-term business growth.
plans. The report also shows that job and salary growth is still tepid as the recovery gathers momentum.

While the global economy grew by just 2.9% in 2013, its slowest rate since 2009, robust growth is forecast for 2014 in Germany, Japan, the UK and the US, boosting global growth to 3.6% in the year ahead, accelerating to 4% in 2015.

Catherine Reid, Leeds-based Grant Thornton director and head of international business, commented: “This latest report gives an overwhelmingly positive message and also shows how global growth dynamics have shifted over the past 12 months.

“The Q4 results show a remarkable turnaround from this time last year with many mature economies markedly more upbeat about growth prospects, while peers in emerging economies are somewhat less optimistic. Across the G7, business optimism for the year ahead has risen by 44 percentage points over the past 12 months; this compares to a drop-off of 17 percentage points in the BRIC economies.”

The report reveals that there have been some significant improvements across the G7 over the past year: Germany, Japan, the UK and the US have seen steep rises in business confidence, and Canada has remained broadly level. All five economies are expected to grow much faster in 2014 than they did last year – Canada, the UK and US by around 2.5%; Germany and Japan by around 1.5%.

“Unfortunately, this optimism contrasts sharply with the pessimism in France and Italy where the business communities remain subdued,” adds Catherine. “Both economies are struggling for growth and are only expected to return to tepid growth in 2014. This is reflected in the low optimism of their business leaders and, worryingly, these countries have the economic weight to really damage the recovery.”

In terms of employment prospects, improvements in labour markets tend to lag recoveries consequently employment indicators across the world remain fairly subdued, just net 22% of businesses hired workers in 2013. However, net 29% expect to increase staff in 2014. While the jobless rate in the Eurozone remains stuck above 12%, many developing companies are facing the problem of a lack of skilled workers.

“Economic uncertainty remains the principal constraint on expansion plans with two in five business leaders in both the G7 and the BRIC economies citing this as their main concern,” continues Catherine. “Bureaucracy is still an issue globally according to 34% of respondents; however, the number citing lack of orders has fallen to 33%, close to pre-crisis levels. Both exchange rate fluctuations and a shortage of finance are much greater problems for businesses in the BRIC economies compared with peers in the G7.”

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For further information please contact:

Susan Reid on (01423) 56 99 99 or susan@appealpr.com

Notes to editors

IBR 2014 methodology

The Grant Thornton International Business Report (IBR) is the leading mid-market business survey in the world, interviewing approximately 3,300 senior executives every quarter in listed and privately-held businesses all over the world. Launched in 1992 in nine European countries, the report now surveys more than 12,500 businesses leaders in 45 economies on an annual basis, providing insights on the economic and commercial issues affecting companies globally.

The data in this report are drawn from interviews with chief executive officers, managing directors, chairmen and other senior decision-makers from all industry sectors. 2014 data is drawn from 3,500 interviews globally conducted in November and December 2013. 2013 data is drawn from over 12,500 interviews conducted between January and December 2013.

To find out more about IBR, please visit www.internationalbusinessreport.com

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